

**BILL #** HB 2474

**TITLE:** ~~ASRS; credited service purchase~~  
NOW: purchase of military service

**SPONSOR:** McClure

**STATUS:** As Amended by House PIR

**REQUESTED BY:** House

**PREPARED BY:** Eric Jorgensen

## **FISCAL ANALYSIS**

### **Description**

This bill allows ASRS members employed by a political subdivision to purchase credit for military service at the average normal cost instead of the actuarial present value of the benefits if the person became an ASRS member in CY 2004.

### **Estimated Impact**

HB 2474 has an estimated annual cost of as much as \$27,000, including \$17,000 from the General Fund. This cost is from the increased unfunded liability for providing benefits to individuals without charging the full cost of that benefit.

### **Analysis**

HB 2474 would provide increased benefits to certain future retirees. Under the current service purchase agreement, a member must pay the actuarial present value, or the full expected cost of providing additional benefits. This bill, however, would allow certain members to purchase credited military service at the average cost for all members. This results in a subsidization of the purchase by all other members of the system, which increases the unfunded liability of the system by as much as \$3.3 million. This increased liability is paid off over a thirty year period with an estimated annual cost of up to \$271,000. This cost is split between employers and current employees as an increase in the contribution rate.

Actuaries under contract for ASRS estimate that HB 2474 would increase the ASRS contribution rate by as much as 0.18 basis points (0.0018%), based on an estimate of 27 eligible members purchasing 20 years of service. If implemented for FY 2006, the member and employee contribution rate would not increase from 7.75%, because the rate is rounded to the nearest 5 basis points. While this increase would not result in an immediate increase in Employee Related Expenditures (ERE) for agencies, the increase would be eventually incorporated. The total cost to the state of the increase is estimated to be as much as \$27,000 annually, \$17,000 of which would come from the General Fund. Current employees would also pay up to \$27,000.

The Legislature could either account for this cost for FY 2006, when the liability is initially incurred, or begin paying the additional costs when the new rate would take effect.

### **Local Government Impact**

The changes proposed in HB 2474 would result in an estimated FY 2006 local government and non-appropriated fund impact of as much as \$121,000.

3/16/05